

## Chapter 643

## (Senate Bill 751)

AN ACT concerning

**Apprenticeship Start-Up Act of 2020**

FOR the purpose of altering the definition of “eligible apprentice” for purposes of a certain credit against the State income tax for the employment of certain eligible apprentices ~~to include certain individuals employed through a youth apprenticeship program; prohibiting a taxpayer from claiming the credit for more than a certain number of eligible apprentices;~~ altering the amount of the credit; authorizing a taxpayer to apply to the Maryland Department of Labor for a tax credit certificate; providing for the form and content of the application; ~~requiring the Maryland Department of Labor, in consultation with the Department of Commerce, to review and approve certain applications;~~ requiring the Maryland Department of Labor to issue tax credit certificates on a first-come, first-served basis, subject to certain limitations, and to provide certain notice to the applicant; altering the maximum amount of credits that the Maryland Department of Labor may approve in the aggregate each year; providing that tax credit certificate amounts not issued during a taxable year may be carried over and issued during the next taxable year; establishing the Apprenticeship Tax Credit Reserve Fund as a special, nonlapsing fund; specifying the purpose of the Fund; requiring the Maryland Department of Labor to administer the Fund; requiring the State Treasurer to hold the Fund and the Comptroller to account for the Fund; specifying the contents of the Fund; providing for the investment of money in and expenditures from the Fund; requiring the Governor to include an appropriation to the Fund in the annual budget bill; requiring the Comptroller to transfer certain amounts from the Fund to the General Fund under certain circumstances; prohibiting the Governor from reducing a certain appropriation to the Fund; ~~repealing~~ *extending for a certain number of years* the termination of the credit; defining certain terms; providing for the application of certain provisions of this Act; and generally relating to an income tax credit for employers of eligible apprentices.

BY repealing and reenacting, with amendments,  
 Article – Tax – General  
 Section 10-742  
 Annotated Code of Maryland  
 (2016 Replacement Volume and 2019 Supplement)

BY repealing and reenacting, with amendments,  
 Chapter 149 of the Acts of the General Assembly of 2017  
 Section 9

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
 That the Laws of Maryland read as follows:

## Article – Tax – General

10-742.

(a) (1) In this section[,“eligible] THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) “DEPARTMENT” MEANS THE MARYLAND DEPARTMENT OF LABOR.

(3) “ELIGIBLE apprentice” means an individual who:

[(1)] (I) is enrolled in an apprenticeship training program ***THAT:***

***1. IS*** registered with the Maryland Apprenticeship and Training Council in accordance with § 11-405 of the Labor and Employment Article; ~~and~~

***2. PROVIDES HIGHLY SUPERVISED TRAINING SKILLS THROUGH A CERTIFIED APPRENTICESHIP TRAINING PROGRAM, FOR CLASSROOM CREDIT OFFERED AT COMMUNITY COLLEGES, UNIVERSITIES, HIGH SCHOOLS, VOCATIONAL TRAINING CENTERS, OR DIRECTLY THROUGH CERTIFIED APPRENTICESHIP TRAINING CENTERS REGISTERED WITH THE STATE;***

***3. MEETS MARYLAND APPRENTICESHIP AND TRAINING COUNCIL REQUIREMENTS FOR YOUTH APPRENTICESHIPS AND REGISTERED APPRENTICESHIPS, AS APPLICABLE; AND***

***4. COMPLIES WITH 29 C.F.R. § 29.5(B)(7);***

[(2)] (II) 1. HAS BEEN EMPLOYED BY THE TAXPAYER FOR AT LEAST 450 HOURS ~~OF THE TAXABLE YEAR OF THE TAXABLE YEAR~~ THROUGH A YOUTH APPRENTICESHIP PROGRAM; OR

2. FOR AN INDIVIDUAL OTHER THAN AN INDIVIDUAL DESCRIBED UNDER ITEM 1 OF THIS ITEM, has been employed by the taxpayer for at least 7 full months of the taxable year; ***AND***

***(III) IF THE INDIVIDUAL IS IN AN EMPLOYEE CLASSIFICATION FOR WHICH THERE IS A PREVAILING WAGE RATE, RECEIVES AN APPRENTICESHIP WAGE THAT IS AT LEAST 50% OF THE PREVAILING WAGE.***

(4) “FUND” MEANS THE APPRENTICESHIP TAX CREDIT RESERVE FUND ESTABLISHED UNDER SUBSECTION (E) OF THIS SECTION.

(b) ~~(1)~~ Subject to the limitations of this section, a taxpayer may claim a credit against the State income tax **IN AN AMOUNT EQUAL TO THE AMOUNT STATED IN THE TAX CREDIT CERTIFICATE ISSUED UNDER SUBSECTION (C) OF THIS SECTION** for the first year of employment of an eligible apprentice.

~~(2) A TAXPAYER MAY NOT CLAIM THE CREDIT UNDER THIS SECTION FOR MORE THAN FIVE ELIGIBLE APPRENTICES.~~

[(c) (1) For any taxable year, the credit allowed under this section may not exceed the lesser of:

(i) \$1,000 for each eligible apprentice; or

(ii) the State income tax imposed for the taxable year calculated before the application of the credits allowed under this section and under §§ 10-701 and 10-701.1 of this subtitle but after the application of any other credit allowed under this subtitle.

(2) If the credit otherwise allowable under subsection (b) of this section exceeds the limit under paragraph (1) of this subsection, an individual may apply the excess as a credit against the State income tax for succeeding taxable years until the full amount of the excess is used.

(3) For any taxable year, the total amount of credits approved by the Maryland Department of Labor under this section may not exceed \$500,000.

(d) A taxpayer claiming the credit allowed under this section shall attach to the taxpayer's return, for each eligible apprentice for which the credit is claimed, proof of:

(1) the enrollment of the eligible apprentice in a registered apprenticeship program; and

(2) the duration of the eligible apprentice's employment by the taxpayer.]

**(C) (1) A TAXPAYER MAY SUBMIT AN APPLICATION TO THE DEPARTMENT FOR A TAX CREDIT CERTIFICATE.**

**(2) THE APPLICATION SHALL BE IN THE FORM AND CONTAIN THE INFORMATION THAT THE DEPARTMENT, ~~IN CONSULTATION WITH THE DEPARTMENT OF COMMERCE,~~ REQUIRES, INCLUDING PROOF OF:**

**(I) THE ENROLLMENT OF EACH ELIGIBLE APPRENTICE IN A REGISTERED APPRENTICESHIP PROGRAM; AND**

(II) THE DURATION OF EACH ELIGIBLE APPRENTICE'S EMPLOYMENT BY THE TAXPAYER.

(3) SUBJECT TO PARAGRAPH (4) OF THIS SUBSECTION, THE DEPARTMENT SHALL ISSUE A TAX CREDIT CERTIFICATE TO THE TAXPAYER IN THE AMOUNT OF:

(I) EXCEPT AS PROVIDED IN ITEM (II) OF THIS PARAGRAPH, \$1,000 FOR EACH ELIGIBLE APPRENTICE; OR

(II) WITH RESPECT TO THE FIRST FIVE ELIGIBLE APPRENTICES FOR WHOM THE TAXPAYER CLAIMS THE CREDIT UNDER THIS SECTION:

(I) 1. \$1,000 FOR EACH ELIGIBLE APPRENTICE IF THE ELIGIBLE APPRENTICE IS EMPLOYED THROUGH A YOUTH APPRENTICESHIP PROGRAM; AND

(II) 2. \$3,000 FOR EACH ELIGIBLE APPRENTICE ~~THAT WHO~~ IS NOT AN ELIGIBLE APPRENTICE DESCRIBED UNDER ~~ITEM (I) OF THIS PARAGRAPH~~ ITEM 1 OF THIS ITEM.

(4) THE DEPARTMENT MAY NOT CERTIFY MORE THAN \$15,000 OF TAX CREDITS IN THE ~~AGGREGATE~~ TAXABLE YEAR FOR ANY TAXPAYER.

(5) THE DEPARTMENT SHALL:

(I) ~~IN CONSULTATION WITH THE DEPARTMENT OF COMMERCE, REVIEW AND~~ APPROVE ALL APPLICATIONS THAT QUALIFY FOR A TAX CREDIT CERTIFICATE UNDER THIS SUBSECTION ON A FIRST-COME, FIRST-SERVED BASIS; AND

(II) NOTIFY A TAXPAYER WITHIN 45 DAYS OF RECEIPT OF THE TAXPAYER'S APPLICATION OF ITS APPROVAL OR DENIAL.

(6) FOR EACH TAXABLE YEAR, THE TOTAL AMOUNT OF TAX CREDIT CERTIFICATES THAT MAY BE ISSUED BY THE DEPARTMENT UNDER THIS SECTION MAY NOT EXCEED THE TOTAL FUNDS AVAILABLE IN THE FUND FOR THAT YEAR.

(D) (1) THE TOTAL AMOUNT OF THE CREDIT ALLOWED UNDER THIS SECTION FOR ANY TAXABLE YEAR MAY NOT EXCEED THE STATE INCOME TAX FOR THAT TAXABLE YEAR, CALCULATED BEFORE THE APPLICATION OF THE CREDITS UNDER THIS SECTION AND §§ 10-701 AND 10-701.1 OF THIS SUBTITLE, BUT AFTER THE APPLICATION OF OTHER CREDITS ALLOWABLE UNDER THIS SUBTITLE.

**(2) IF THE CREDIT OTHERWISE ALLOWABLE UNDER THIS SECTION EXCEEDS THE LIMIT UNDER PARAGRAPH (1) OF THIS SUBSECTION, A TAXPAYER MAY APPLY THE EXCESS AS A CREDIT AGAINST THE STATE INCOME TAX FOR SUCCEEDING TAXABLE YEARS UNTIL THE FULL AMOUNT OF THE EXCESS IS USED.**

**(E) (1) THERE IS AN APPRENTICESHIP TAX CREDIT RESERVE FUND.**

**(2) THE DEPARTMENT SHALL ADMINISTER THE FUND.**

**(3) THE PURPOSE OF THE FUND IS TO OFFSET THE REVENUE REDUCTION TO THE GENERAL FUND OF THE STATE AS A RESULT OF THE TAX CREDITS AUTHORIZED UNDER THIS SECTION.**

**(4) THE FUND IS A SPECIAL CONTINUING, NONLAPSING FUND THAT IS NOT SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.**

**(5) THE STATE TREASURER SHALL HOLD THE FUND SEPARATELY, AND THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.**

**(6) THE FUND CONSISTS OF:**

**(I) MONEY APPROPRIATED IN THE STATE BUDGET TO THE FUND; AND**

**(II) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR THE BENEFIT OF THE FUND.**

**(7) THE MONEY IN THE FUND SHALL BE INVESTED AND REINVESTED BY THE STATE TREASURER, AND INTEREST AND EARNINGS SHALL BE CREDITED TO THE GENERAL FUND OF THE STATE.**

**(8) FOR EACH FISCAL YEAR, THE GOVERNOR SHALL INCLUDE IN THE BUDGET BILL AN APPROPRIATION TO THE FUND.**

**(9) NOTWITHSTANDING THE PROVISIONS OF § 7-213 OF THE STATE FINANCE AND PROCUREMENT ARTICLE, THE GOVERNOR MAY NOT REDUCE AN APPROPRIATION TO THE FUND IN THE STATE BUDGET AS APPROVED BY THE GENERAL ASSEMBLY.**

**(10) (I) EXCEPT AS OTHERWISE PROVIDED IN THIS PARAGRAPH, MONEY CREDITED OR APPROPRIATED TO THE FUND SHALL REMAIN IN THE FUND.**

**(ii) 1. WITHIN 15 DAYS AFTER THE END OF EACH CALENDAR QUARTER, THE DEPARTMENT SHALL NOTIFY THE COMPTROLLER AS TO EACH TAX CREDIT CERTIFICATE ISSUED DURING THE QUARTER.**

**2. ON NOTIFICATION THAT A TAX CREDIT CERTIFICATE HAS BEEN ISSUED BY THE DEPARTMENT, THE COMPTROLLER SHALL TRANSFER AN AMOUNT EQUAL TO THE CREDIT AMOUNT STATED IN THE TAX CREDIT CERTIFICATE FROM THE FUND TO THE GENERAL FUND OF THE STATE.**

**[(e)] (F)** The [Maryland] Department [of Labor] shall adopt regulations to:

- (1) implement the provisions of this section; and
- (2) specify criteria and procedures for application for, approval of, and monitoring continuing eligibility for the tax credit under this section.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

#### **Chapter 149 of the Acts of 2017**

SECTION 9. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take effect July 1, 2017, and shall be applicable to all taxable years beginning after December 31, 2016~~‡~~, but before January 1, ~~2020~~ **2025**. It shall remain effective for a period of ~~3~~ **8** years and, at the end of June 30, ~~2020~~ **2025**, with no further action required by the General Assembly, Section 2 of this Act shall be abrogated and of no further force and effect~~‡~~.

SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall be applicable to all taxable years beginning after December 31, 2019.

SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2020.

**Enacted under Article II, § 17(c) of the Maryland Constitution, May 8, 2020.**